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November 19, 2008

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter B. van Moorsel *PvM*

**RE: STAFF REPORT: PUBLIC EDUCATION DEPARTMENT (PED) BUDGET
REQUEST FOR FY 10**

Current statute requires state agencies to submit their budget requests to the State Budget Division of the Department of Finance and Administration (DFA) for the following fiscal year no later than September 1 of the current fiscal year. However, the requests submitted on September 1 do not necessarily reflect the Governor's budget recommendations that must be submitted to the Legislative Finance Committee (LFC) and to every legislator prior to the session in January.¹ Throughout the intervening months, DFA and agency staff work to refine the initial requests before DFA submits its recommendations for all state agencies to the Governor.

Every year, the State Budget Division issues written directives that state agencies must follow in preparing their budget requests for the succeeding fiscal year. The *Appropriation Request Instructions: Fiscal Year 2010*, directs agencies to keep their FY 10 General Fund budget requests flat with the following exceptions:

- the agency is proposing to expand an existing program or adopt a new program that is tied "directly and convincingly to Governor Richardson's core agenda";
- the agency intends to continue a recurring program previously funded from nonrecurring revenue sources;

¹ Statute requires that the Governor's recommendations be submitted "not later than January 5 in even-numbered years and not later than January 10 in odd-numbered years."

- the agency is experiencing significant increases in General Services Department group health or risk insurance costs or the Department of Information Technology (DoIT) rates for information systems, radio communications, or telecommunication costs;
- the agency will be annualizing the effect of new or expanded programs approved by the Governor and Legislature for FY 09;
- the agency is funded through a funding formula that is predicting an increase in cost; or
- the agency provides Medicaid or correctional services and is forecasting significant caseload and/or population increases.

Note: In accordance with the language in the *General Appropriation Act of 2008*², in October the Executive implemented a freeze on hiring and pay increases effective November 15, and called for executive branch agencies to develop plans to reduce their operating budgets by 5.0 percent. The Public Education Department's (PED) FY 10 budget request was received on September 15, and therefore does not consider the Executive's instructions.

² The *General Appropriation Act of 2008* contains language requiring the Department of Finance and Administration to "consult with the Legislative Finance Committee (LFC) staff to compare fiscal year 2009 revenue collections with the revenue estimate. If the analyses indicate that revenues and transfers to the general fund are not expected to meet appropriations, then the department shall present a plan to the LFC that outlines the methods by which the administration proposes to address the deficit."

Public Education Department Budget Request for FY 10:

Table 1 includes the PED's revenue, expenditures, and full-time equivalent staff positions for FY 09; the department's FY 09 operating budget; and PED's base and expansion budget requests for FY 10 as submitted to DFA on September 1, 2008.

TABLE 1							
A	B	C	D	E	F		
	FY 09	FY 09	FY 10	FY 10	FY 10		
	Appropriated Revenue	Operating Budget	Base Request	Expansion Request	Total Request		
1	Revenue					1	
2	General Fund ¹	\$17,135.0	\$17,444.3	\$18,878.8	\$1,680.1	\$20,558.9	2
3	Other Transfers						3
4	Other State Funds ²	\$1,271.5	\$1,101.5	\$872.9	\$653.6	\$1,526.5	4
5	Federal Funds ³	\$29,530.0	\$44,970.5	\$29,769.9	\$65.3	\$29,835.2	5
6	Fund Balance ⁴		\$178.4	\$305.1		\$305.1	6
7	DFA Adjustments						7
8	GF Compensation Pkg.	\$309.3					8
9	Federal Compensation	\$124.2					9
10	Other Compensation	\$8.4					10
11	TOTAL REVENUE	\$48,378.4	\$63,694.7	\$49,826.7	\$2,399.0	\$52,225.7	11
12							12
13	Uses						13
14	Personal Services & Employee Benefits	\$23,413.1	\$23,421.5	\$24,627.7	\$1,787.7	\$26,415.4	14
15	Contractual Services	\$20,158.3	\$27,873.9	\$20,403.3	\$78.0	\$20,481.3	15
16	Other	\$4,798.6	\$12,399.3	\$4,795.7	\$533.3	\$5,329.0	16
18	TOTAL USES/EXPENDITURES	\$48,370.0	\$63,694.7	\$49,826.7	\$2,399.0	\$52,225.7	18
19							19
20	FTE Positions						20
21	Permanent	216.2	216.2	216.2	17.0	233.2	21
22	Term	105.0	108.0	111.0	2.0	113.0	22
23	Temporary	4.6	4.6	4.6	0.0	4.6	23
24	TOTAL FTE	325.8	328.8	331.8	19.0	350.8	24

¹ According to documentation provided by PED, the General Fund revenue in the FY 10 base budget exceeds that in the FY 09 approved operating budget by approximately \$1.4 million because of cost increases including: approximately \$1.1 million to cover additional costs for personal services and employee benefits; \$95,600 for audit services; \$193,400 for transportation and per diem costs; \$46,300 for supplies; and \$27,500

² Educator certification license fees (\$668,700) and 2% of Charter School Program Cost - PED Administrative Fee (\$204,200)

³ The FY 09 Operating Budget includes approximately \$15.3 million in carried-over federal grants.

⁴ Educator certification license fees.

SOURCE: Finance & Operations, PED

LESC: 11/19/2008

PED's FY 10 General Fund base request (Table 1: Column D-Row 2) exceeds General Fund revenue in its FY 09 operating budget (C-2) by approximately \$1.43 million in accordance with the exceptions allowed by DFA. PED reports that the General Fund revenue in the FY 10 base budget reflects "an increase for standard agency operations in an effort to address underfunding concerns." According to documentation provided by PED, the increases include approximately \$1.1 million to cover additional costs for personal services and employee benefits; \$95,600 for audit services; \$193,400 for transportation and per diem costs; \$46,300 for supplies; and \$27,500 for DoIT services.

PED's FY 10 federal funds base request (D-5) is approximately \$15.2 million lower than in the department's FY 09 operating budget (C-5). PED reports that the FY 09 budget includes approximately \$15.3 million in federal funds that were carried over from previous fiscal years; however, the FY 10 base request does not include any carry over, and is therefore lower.

Overall, PED's FY 10 base request from all funding sources (D-11) is \$13.9 million lower than revenues in the department's FY 09 operating budget (C-11).

PED's expansion request for FY 10 includes an additional total \$2.4 million (E-11), including:

- \$1.7 million in General Fund revenue (E-2);
- \$653,600 in other state funds (E-4); and
- \$65,300 in federal revenue (E-5).

Table 2 summarizes PED's expansion requests in order of department priority, and includes how each priority would be funded. The table shows a net increase of 19 full-time equivalent (FTE) positions—17 permanent and two term, and includes the following three priorities that do not request the creation of a new position:

- Priority 1 – \$234,200 for “Appropriate Placement” which, according to PED, would allow the department to recruit and retain qualified staff by providing more competitive compensation positions. Over a three-year phase-in, Appropriate Placement funding would raise compensation of almost 200 employees by a total of approximately \$700,000;
- Priority 6 – \$78,000 to fund a contract for the “Parent Toolkit.” According to PED, the Parent Toolkit is a new Governor's initiative that aims to help parents of public school students become more active in their child's education, and encourages parents to complete a General Education Development, or GED, or enter the postsecondary education system; and
- Priority 11 – \$150,000 to provide professional development for PED educators through CaseNEX, a professional development organization founded at the University of Virginia (UVA) Curry School of Education. The training would be provided via online coursework, on-site instructors, and coaching support.

**TABLE 2
PUBLIC EDUCATION DEPARTMENT FY 10 EXPANSION REQUEST**

PED Priority	PURPOSE/PED Division or Bureau	Position	FTE		Funding			
			Term	Perm.	GF	Federal	Other	Total
1	Appropriate Placement	N/A		0.00	\$150.6	\$65.3	\$18.3	\$234.2
2	Chief Statistician	General Manager I		1.00	\$100.9			\$100.9
		Other Expenditures			\$10.0			\$10.0
3	School Improvement	Administrative Operations Manager II		1.00	\$90.4			\$90.4
		Administrative Operations Manager II		1.00	\$90.4			\$90.4
		Administrative Operations Manager II		1.00	\$90.4			\$90.4
		Federal Mandated Technical Assistance to Schools in Need of Improvement			\$190.0			\$190.0
		Other Expenditures			\$33.0			\$33.0
4	High School Redesign/Career Clusters	Education Administrator A		1.00	\$68.1			\$68.1
		Other Expenditures			\$10.0			\$10.0
5	STARS	Business Operations Specialist (Term to Perm)	(1.00)	1.00	\$59.7			\$59.7
		IT Database Administrator 2 (Term to Perm)	(1.00)	1.00	\$88.7			\$88.7
		Other Expenditures			\$2.0			\$2.0
6	Parental Involvement	N/A - Parent Toolkit (Contract)		0.00	\$78.0			\$78.0
7	Program Support and Pupil Transportation/Indian Education	Executive Secretary & Administrative Assistant O		1.00	\$43.7			\$43.7
		Executive Secretary & Administrative Assistant O		1.00	\$43.7			\$43.7
		Other Expenditures			\$16.0			\$16.0
8	IDEAL-NM	Business Ops Specialist A		1.00	\$52.5			\$52.5
		Business Ops Specialist A		1.00	\$52.5			\$52.5
		Other Expenditures			\$20.0			\$20.0
9	RH Program	Education Administrator A		1.00	\$68.1			\$68.1
		Other Expenditures			\$11.0			\$11.0
10	Pre-Apprenticeship Coordinator	Education Administrator A		1.00	\$68.1			\$68.1
		Other Expenditures			\$7.3			\$7.3
11	Professional Development	N/A - Professional Development for PED Educators		0.00	\$150.0			\$150.0
12	IDEAL-NM	Admin Ops Mgr II (Term to Perm)	(1.00)	1.00	\$0.0			\$0.0
		Ed Admin A (Term to Perm)	(1.00)	1.00	\$0.0			\$0.0
		Office and Admin Sup A (Term to Perm)	(1.00)	1.00	\$0.0			\$0.0
13	State-Authorized Charter Schools (Funded through PED Administrative Fee - 2% from Charter School Program Cost)	IT Business Analyst	1.00				\$88.7	\$88.7
		Other Expenditures					\$10.0	\$10.0
14	(Funded through PED Administrative Fee - 2% from Charter School Program Cost)	Administrative Operation Manager II	1.00				\$88.7	\$88.7
		Business Operations Specialist	1.00				\$52.2	\$52.2
		IT Database Admin I	1.00				\$63.7	\$63.7
		Educator Admin A	1.00				\$68.1	\$68.1
		Educator Admin A	1.00				\$68.1	\$68.1
		Financial Coordinator A	1.00				\$68.1	\$68.1
		Other Expenditures					\$54.0	\$54.0
15	Replace Loss of Title IV Federal Funding	Social and Community Services Coordinator A (Term to Perm)	(1.00)	1.00	\$75.1			\$75.1
		Other Expenditures			\$10.0			\$10.0
16	Three Tier Teacher Licensure Evaluation	Financial Analyst A	1.00				\$63.7	\$63.7
		Other Expenditures					\$10.0	\$10.0
		GRAND TOTAL	2.00	17.00	\$1,680.1	\$65.3	\$653.6	\$2,399.0

NOTE: Other expenditures include space rental, office furniture and equipment, supplies and travel.

SOURCE: Finance & Operations, PED

LESC: 11/10/2008

In its November 7, 2008 vacancy report, PED indicates that the department has an overall vacancy rate of 18.5 percent. Of the 61 vacant positions, 29 are state-funded, 17 are federally funded, 12 are funded from both state and federal revenue sources, and three are funded from other state funds. (NOTE: Although the total number of full-time equivalent positions in PED's base request for FY 10 is 331.8, the department has used 330.0 as the denominator for calculating the current vacancy rate.)

Presenters:

Dr. Veronica C. García, Secretary of Public Education, and Mr. Don Moya, Deputy Secretary for Finance and Operations, PED, will review PED's FY 09 budget request.